



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: LAWRENCE

Application Serial No.: 09/772,427

Filing Date: January 30, 2001

For: AUTOMATED POLITICAL  
RISK MANAGEMENT

) Group Art Unit: 3628

) Examiner: Oyeibisi, Ojo O.

) **APPEAL BRIEF**

) Attorney Docket No.: G08.081

) **PTO Customer Number 28062**

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) Five Elm Street

) New Canaan, CT 06840

CERTIFICATE OF MAILING UNDER 37 CFR 1.8

I hereby certify that this correspondence is being deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to: Mail Stop Amendment, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450, on August 14, 2006.

Dated: August 14, 2006

By: 

Edith Martin

MS Appeal Brief - Patents  
**COMMISSIONER FOR PATENTS**  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

Appellant hereby submits an appeal to the Board of Patent Appeals and Interferences from the decision of the Examiner in the Final Office Action mailed April 12, 2006 (the "Final Office Action"), rejecting claims 47 – 60.

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***REAL PARTY IN INTEREST***

The present application is assigned to GOLDMAN, SACHS & CO., 85 Broad Street, New York, New York 10004, U.S.A.

***RELATED APPEALS AND INTERFERENCES***

No other appeals or interferences are known to Appellant, Appellant's legal representative, or assignee which will directly affect, be directly affected by, or have a bearing on the Board's decision in the pending appeal.

***STATUS OF CLAIMS***

Claims 1 – 46 have been canceled.

Claims 47 – 60 stand rejected and are being appealed.

***STATUS OF AMENDMENTS***

No amendments have been filed subsequent to the Final Office Action.

A terminal disclaimer is filed on even date herewith. The terminal disclaimer does not include any claim amendments.

***SUMMARY OF THE CLAIMED SUBJECT MATTER***

A variety of risks may be associated with maintaining an investment account, including factors associated with financial risk, legal risk, regulatory risk and reputational risk. Financial risk includes factors indicative of monetary costs that the financial institution may be exposed to as a result of opening a particular account and/or transacting business with a particular client. Regulatory risk includes factors that may cause the financial institution to be in violation of rules put forth by a regulatory agency such as the Securities and Exchange Commission (SEC), whereas reputational risk

relates to harm that a financial institution may suffer regarding its professional standing in the industry since a financial institution can suffer from being associated with a situation contrary to an image of honesty and forthrightness. (See, e.g., the Specification, paragraph [0001]) Each of the financial risk, legal risk, regulatory risk, and reputational risk refer to different types of risks and include different risk factors and considerations.

Another distinct type of risk that may be associated with maintaining an investment account is risk attributed to the account being associated with a politically identified person (PIP). This particular type of risk is disclosed as *political risk*. PIPs can include an elected official, a bureaucrat, a political appointee, a World Bank Official, a military person, other individuals associated with a sovereign power or international organization, and a person holding a position in the private sector associated with politically sensitive influences. The political risk can be influenced based on the nature of a position held by the PIP and the power and knowledge associated with the PIP's political position. (See, e.g., the Specification, paragraphs [0001], [0003], and [0005]) However, the resources required to identify and evaluate risk associated with a PIP may be beyond the scope of a financial institution.

To address these and other problems, embodiments of the present invention provide a mechanism to assess a political risk factor associated with a PIP. In some embodiments, the present invention provides computer-implemented method that stores information in a database or other data storing structure and relates the information to individuals with political exposure resulting from sensitive positions and/or world events. A rating system is used to assess political risk based upon criteria, such as, a position held, historical data and/or interpretation of world events. (See, e.g., the Specification, paragraph [0022]) The PIP system 102 quantifies risk due diligence by capturing and storing a record of the information received and actions taken relating to a PIP account. Once quantified, the due diligence data can be utilized for presentation to regulatory bodies, shareholders, news media and/or other interested parties to mitigate adverse effects relating to a problematic account. The PIP system aggregates political risk

quotients to, for example, evaluate the level of PIP risk being tolerated by the institution. (See, e.g., the Specification, paragraphs [0037] – [0038])

In a particular embodiment, a PIP risk quotient or political risk quotient is calculated by weighting information received according to its importance in determining the likelihood of illegal or unethical dealings. Calculating the PIP risk quotient is accomplished by assigning a numerical value to each field of information, the numerical value representing the political risk associated with a particular piece of information. A weight can also be assigned to a PIP risk category to which the information is assigned. In this manner for example, a designated country may receive a higher weight than the political position held, or vice versa. A PIP Risk Quotient is calculated by multiplying a weighted numerical value of the specific information times the category weighting. (See e.g., Specification paragraph [0049]) A relationship between various PIP risk categories may be evinced by the relative weight assigned to information of a PIP risk category and the relative PIP or risk quotients calculated.

As an illustrative example, received information may indicate an account holder is a high ranking finance official from a G7 country, that is, a PIP. Also, the ownership structure of a company the account holder wishes to transact with is a public entity. A public entity may receive a numerical value of (-5) because it is a relatively low risk ownership structure. Such information may be included in a Company Profile category, wherein the Company Profile is assigned a category weighting of 3. Accordingly, the net score for this example ownership structure is  $(-5) \times (3) = (-15)$ . Similarly, the account holder being a high ranking official (as opposed to a high ranking finance official) from a G-7 country may also receive a low number such as 1. The PIP risk quotient for the account holder in this instance is  $(1) \times (3) = (3)$ .

Furthermore, multiple scores within a Company Profile can be summed to calculate a PIP risk quotient. In this case the PIP risk quotient is  $(-15) + (3) = (-12)$ , indicating a low risk. Weighted risk scores from all associated categories can be summed to calculate a total or overall Risk Quotient. (See e.g., Specification paragraph [0050])

Consistent use and application of the exemplary PIP or political risk quotient calculation can be used to efficiently obtain meaningful and useful quantitative results to assess the political risk associated with managing risk related to political exposure associated with a financial transaction.

### ***GROUND OF REJECTION TO BE REVIEWED ON APPEAL***

The rejection of claims 47 – 53 under 35 USC. §112, 1<sup>st</sup> paragraph for failing to comply with the enablement requirement in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention.

The rejection of claims 47 – 53 under 35 USC. §112, 2nd paragraph as allegedly failing to particularly point out and distinctly claim the subject matter which applicant regards as his invention.

The rejection of claims 47 – 58 under 35 USC. 102(e) as being unpatentable over U.S. Patent No. 6,119,103 (hereinafter, Basch).

The rejection of claim 59 under 35 USC. §103(a) as being unpatentable over Basch.

### ***ARGUMENT***

As will be explained, the rejections of each of the claims are improper because: (a) the Specification is enabling with respect to the claims; (b) the claims particularly and distinctly recite the invention; (c) the cited reference fails to disclose all aspects of the claimed invention; and (d) the cited reference fails to teach or suggest embodiments of the claimed invention. Therefore, Appellants respectfully request that the Examiner's rejections be reversed and further request allowance of the claims.

#### ***I. Claims 47 – 60 Are Enabled By The Specification***

Appellant respectfully submits that the subject matter recited in the claims is fully described in the Specification in such a way as to enable one skilled in the art to which it

pertains, or with which it is most nearly connected, to make and/or use the invention. The invention that must be enabled by the specification is the claimed invention for which patent protection is being sought.

Claim 47 is directed to a computer-implemented method to facilitate management of risk related to political exposure associated with a financial transaction. The computer-implemented method includes determining that the participant is a politically identified person ("PIP") by referencing digital data in a memory of a computer system indicating that the participant has a status of at least one of: an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel; calculating a first category political risk score based on the financial transaction data; calculating a second category political risk score based on the financial transaction data; and calculating, based on the first and second category political risk scores, an overall transaction political risk quotient associated with the financial transaction. The computer-implemented method further includes comparing the overall transaction political risk quotient with a risk quotient threshold to determine a suggested action associated with the financial transaction.

Claim 54 is directed to a computer-implemented method to facilitate management of risk related to political exposure associated with a financial transaction including determining that the participant is a politically identified person ("PIP") by referencing digital data in a memory of a computer system indicating that the participant has a status of at least one of: an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel; calculating a first numerical value representative of a political risk based on the financial transaction data; and calculating a second numerical value representative of a political risk based on the financial transaction data. The computer-implemented method also includes comparing the overall transaction political risk quotient with a risk quotient threshold to determine a suggested action associated with the financial transaction.

A description of the methods recited in claims 47 and 54 is provided in the Specification at paragraphs [0049] – [0052], particularly in paragraphs [0049] – [0050]

as discussed in the “Summary of the Claimed Subject Matter” section hereinabove. Appellant respectfully notes that the claim language in the claims substantially tracks and corresponds to the language used in the Specification (See, e.g., paragraphs [0049] – [0052]).

”[A] specification disclosure which contains a teaching in the manner and process of making and using the invention in terms that correspond in scope to those used in describing and defining the subject matter sought to be patented must be taken as in compliance with the enabling requirement of the first paragraph of §112 unless there is reason to doubt the objective truth of the statements contained therein which must be relied upon for enabling support. See Fiers v. Sugano, 984 F. 2d 1164, 25 USPQ 2d 1601, 1607 (Fed. Cir. 1993) (quoting In re Marzocchi, 439 F. 2d 220, 223, 169 USPQ 367, 369 (C.C.P.A. 1971)). Thus, claims corresponding in scope to the specification are enabled thereby unless there is reason to doubt the support provided by the specification. No evidence or statements of record have been provided by the Examiner to reasonably doubt the support provided by the Appellant’s Specification.

Appellant notes that the Final Office Action includes statements by the Examiner which misrepresent that which is disclosed in the Specification. For example, the Examiner states that the Specification only mentions a quotient resulting from two numbers being multiplied. However, Appellant clearly claims a “political risk quotient” and discloses a “PIP risk quotient”, a risk quotient clearly associated with political factors. (See, e.g., Specification, paragraph [0049]) Thus, the claims are commensurate with the Specification.

Also, Appellant respectfully submits that the claims include the term “political risk quotient”. Appellant respectfully submits that the claimed “political risk quotient” is fully disclosed in the Specification (e.g., PIP risk quotient) and claimed in a manner consistent therewith. Appellant respectfully submits that a “political risk quotient” is claimed, not a mere “quotient” as stated by the Examiner. Appellant does not claim, in the abstract or in a vacuum, a generic mathematical quotient but instead claims a “political risk quotient”, as clearly disclosed in the specification. Appellant discloses and

claims the “political risk quotient”. (See, e.g., the Response to the Non-Final Office Action dated November 22, 2006 (filed by Appellant February 21, 2006), page 8, paragraph 4 – page 9, paragraph 1).

Appellant submits herewith evidence from the perspective of two different persons of skill in different arts (e.g., computer programming and risk / mathematics) who believe the terms of the Specification are clear and used in a manner that is understood in the art and that the claims are enabled and clear. The two Declarations under 37 CFR 1.132 were previously entered into the record of the present application now under appeal in a Response to the Non-Final Office Action dated February 24, 2004 which was received by the Office on May 20, 2004. The declarants state that as of the filing date of the application, they could have made or used the claimed invention without unreasonable experimentation. Further, the declarants make it clear that the terms the Examiner finds objectionable are clear and distinct. (See the attached Appendix C – Evidence).

Appellant also submits that the recitation of the terms “first category” and “second category” are enabled by the Specification (See, paragraph [0049]). Furthermore, the terms would be readily understood by one skilled in the art to be conventions to distinguish between the more than one political risk (e.g., PIP risk) categories disclosed and claimed.

The Final Office Action also states that no definition is provided, for example, for a level of the claimed threshold, how it is calculated, and a definition of what scale score is used to determine what numerical level is considered high and other stated aspects. These and other features noted by the Examiner are not aspects claimed by Appellant. Thus, the alleged requirement for support of such specifics is not fully understood by Appellant since the level of specificity sought by the Examiner is beyond that which is claimed.

Appellant respectfully requests the reconsideration and withdrawal of the rejection under 35 U.S.C. 112, 1<sup>st</sup> paragraph.



**II. Claims 47 – 60 Particularly Point Out and Distinctly Claim the Subject Matter Which Appellant regards as the Invention**

Appellant respectfully submits that the claims describe and circumscribe the subject matter with particularity and definiteness sufficient to be understood by one skilled in the art, in light of the Specification.

Appellant respectfully submits that the reasoning provided by the Examiner in rejecting the claims under 35 USC 112, 2<sup>nd</sup> paragraph are not fully understood. For example, the Examiner maintains that Appellant only provides a “few generic examples of algorithms and instructions in the specification” that do not fully, clearly, concisely, and in exact terms, “enable any person skilled in the art to duplicate the invention”. Appellant submits that the enablement requirement is met by the claims as discussed herein regarding the rejection under 35 USC 112, 1<sup>st</sup> paragraph.

Appellant notes that it is the Appellant/Applicant whom determines that which is regarded as the invention. However, the Examiner appears to request a level of specificity not required to claim that which is regarded as the invention by Applicant. In particular, the Examiner rejects the claims based on Appellant allegedly not providing “a specific set of steps with very specific mathematical values or algorithms for or a detailed list of each element being evaluated by this invention or a definition of what weight will be applied to which elements”. Appellant respectfully submits that the invention claimed includes at least three calculating operations and a comparing operation that are each claimed and supported by the Specification in clear, concise, and exact language. (See, e.g., Specification paragraphs [0049] – [0050]) The specific steps and operations claimed and regarded as the invention by Appellant are recited in clear and definite language provided in the Specification.

Appellant further regards as improper the Examiner’s characterization of the Specification as “replete” with uncertain and non-specific terms “may be (or maybe not) and can be (or can not)”. Appellant notes that the Specification does not include the

terms “may be (or maybe not) and can be (or can not)” as stated by the Examiner. Appellant at most uses the terms “may be” and “can be”. The use of such terms does not, necessarily or inherently, imply the negative or indefiniteness stated by the Examiner. Additionally, the Examiner appears to be arguing the clarity of the Specification when in fact the definiteness of the claims is at issue under 35 USC 112, 2<sup>nd</sup> paragraph.

Appellant respectfully requests that the Board review the two Declarations under 37 CFR 1.132 that were previously entered into the record of the present application now under appeal. Therein, declarants make it clear that the terms of the claim are sufficiently clear and definite to one skilled in the art. (See the attached Appendix C – Evidence).

Therefore, Appellant respectfully requests that the reconsideration and withdrawal of the rejection under 35 U.S.C. 112, 2<sup>nd</sup> paragraph, and the withdrawal of the rejection.

### **III. Claims 47 – 58 and 60 are Patentable over Basch under 35 USC. 102(e)**

In rejecting 47 – 58 under 35 USC 102, the Examiner cited and relied upon Basch. However, “[a]nticipation requires the disclosure in a single prior art reference of each element of the claim under consideration.” See W.L. Gore & Assocs. v. Garlock, Inc., 220 USPQ 303, 313 (Fed. Cir. 1983), cert. denied, 469 U.S. 851 (1984). Also, “[a]nticipation requires the presence in a single prior art reference disclosure of each and every element of the claimed invention, *arranged as in the claim*.” See Lindemann Maschinefabrik GmbH v. American Hoist & Derrick Co., 730 F. 2d 1452, 221 USPQ 481, 485 (Fed. Cir. 1984) (citing Connell v. Sears, Roebuck & Co., 722 F. 2d 1542, 220 USPQ 193 (Fed. Cir. 1983) (emphasis added)). Thus, Basch cited and relied upon by the Examiner must disclose each and every element of the subject claims, as arranged in the claims.

Appellant respectfully submits that Basch is related to and discloses a financial risk prediction system and method. Appellant maintains that Basch fails to disclose all of the claimed aspects of claims 47 – 58 and 60. In particular, Appellant respectfully submits that Basch fails to disclose, at least, determining that the financial transaction participant is a politically identified person (“PIP”) by referencing digital data in a memory of a computer system indicating that the participant has a status of at least one of: an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel; calculating a first category political risk score based on the financial transaction data; calculating a second category political risk score based on the financial transaction data; and calculating, based on the first and second category political risk scores, an overall transaction political risk quotient associated with the financial transaction; and comparing the overall transaction political risk quotient with a risk quotient threshold to determine a suggested action associated with the financial transaction.

Appellant first notes that Basch does not disclose or suggest the claimed “determining that the financial transaction participant is a politically identified person (“PIP”) by referencing digital data in a memory of a computer system indicating that the participant has a status of at least one of: an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel”. Instead, Basch discloses,

“For example, FRPS 100 may receive public bankruptcy data records, which may include, for example, new filings, record releases, and record corrections. Other types of public data having bearing on the financial risk level of account holders may also be received (e.g., divorce filings, tax liens, judgments, and the like). These public data records may include, for example, the social security number or tax ID, the name(s) of the person(s) and/or entity(ies) involved, street address, city, state, zip code, the filing date of the public record, the release date of the public record, the filing type, the court IID number, the case number, and the like. Credit bureau data, although not public in the sense that they are freely available, may also be received.

Other data sources input to FRPS 100 may include account holder disputes and/or statements 106, which are essentially inputs from account holders pertaining to particular accounts and/or account holders. (See Basch, col. 7, ln. 53 – 65)

Thus, it is clear that Basch fails to disclose determining a financial transaction participant is a PIP, let alone a PIP having the status of at least one of: an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel. In fact, Basch does not to disclose or suggest determining any political status, affiliation, or capacity of the account holders therein.

Regarding the calculating of a first category political risk score and a second political risk score, Appellant notes that the Examiner admits that “[B]asch explicitly discloses financial risks.” (See Final Office Action, page 15, lines 5 - 6) The Examiner also relies upon Basch for disclosing fraud as an example of financial risks by citing Basch at col. 9, lines 30 – 39, “multiple financial risk scores may be generated for a particular scoreable event, depending on the financial risk (e.g., bankruptcy, credit loss, fraudulent usage, and the like.” Then, in a departure from the clear disclosure of Basch, the Examiner concludes that “[S]ince fraud is a form of political risk as evidenced by the applicant’s own disclosure, inherently political risk is also an example of financial risk”. The reasoning provided by the Examiner for concluding Basch discloses political risk is that (1) Basch discloses financial risk, with fraud being a form of financial risk and (2) Appellant discloses political risk that is a form of fraud. Therefore, reasons the Examiner, Basch discloses political risk since “fraud is a form of political risk.” (See Final Office Action, page 16, line 3)

Appellant notes that the Examiner appears to treat all fraud as being the same. That is, the Examiner interprets all fraud as being the same (i.e., fraud is fraud), irrespective of the particular fraudulent act referenced, discussed and/or committed. Basch clearly, explicitly, and exclusively discloses financial risks. Further, the “fraudulent usage” disclosed by Basch is clearly associated with a financial risk.

In contrast to Basch, the political risk scores and political risk quotient claimed by Appellant are clearly associated with a PIP, and thus comprise a political risk. Appellant mentions a number of different types of risks, including financial risk, regulatory risk, and reputational risk. (See e.g., Specification, paragraph [0002]) As stated in the Specification, risk associated with maintaining an investment account may include

factors associated with financial risk, regulatory risk, and reputational risk. That is, each of the particular types of risk have specific risk factors associated therewith.

Accordingly, the different factors associated with the different types of risk (e.g., financial risk, regulatory risk, and reputational risk) are different. The factors are different since otherwise the various types of risk would necessarily be the same.

Appellant further discloses and claims a particular risk, a political risk that is distinct from the other types of risk, including financial risk. The underlying factors associated with political risk distinguish it from financial and other types of risk. For example, financial transaction data associated with a PIP is one factor that comprises political risk.

The fraudulent usage disclosed by Basch is clearly associated with a financial risk. The political risk factors disclosed in Appellant's Specification are clearly associated with a PIP, as unambiguously claimed. The specific type(s) of act(s) disclosed in the Specification are specifically associated with a PIP, thus qualifying as political risk. In contrast, the fraud disclosed by Basch is not related to or associated with a PIP. Basch discloses a particular type of risk (i.e., financial risk) that is not the same as or suggestive of Appellant's claimed political risk. Therefore, Basch does not disclose (or even suggest) the claimed political risk data, political risk scores, and political risk quotient.

Appellant further submits that Basch fails to disclose or suggest the claimed "calculating, based on a first and a second category political risk score, an overall transaction political risk quotient associated with the financial transaction". For example, Basch discloses "scoring scoreable transactions" by scoring each transaction against a previously created predictive model. While "[M]ultiple financial risk scores may be generated for a particular scoreable event, depending on the type of financial risk (e.g., bankruptcy, credit loss, fraudulent usage, and the like) that the account issuers are interested in", there is no disclosure or suggestion that the multiple financial risk scores are used to calculate an "overall transaction political risk quotient associated with the financial transaction". (See Basch, col. 9, lines 22 – 37) Even in the instance

the financial risk scores are provided to other data consumers, there is no disclosure or suggestion that the financial risk scores are use to calculate the claimed overall transaction political risk quotient associated with the financial transaction. (See Basch, col. 9, line 22 – col. 10, line 3)

Based on the insufficiency of the cited and relied upon Basch with respect the already discussed aspects of the claims, it logically follows that Basch also fails to disclose the claimed “comparing the overall transaction political risk quotient with a risk quotient threshold to determine a suggested action associated with the financial transaction”.

Therefore, it is clear that Basch fails to disclose that which is claimed by Applicant. Accordingly, Basch fails to disclose each and every claimed aspect of the subject claims 47 – 58 and 60, as arranged by Appellant. Reconsideration and withdrawal of the rejection under 35 USC 102(e) is requested.

**IV. Claim 59 Is Patentable Over Basch under 35 USC 103(a)**

Appellant respectfully asserts that Basch fails to teach or suggest embodiments of the present invention as recited in claim 59. This is true since, at least, Basch fails to disclose or suggest, as a whole, a first political risk category or a second political risk category because Basch fails to even disclose or suggest a political risk, a political risk, and a political risk quotient as discussed in great detail with respect to the rejection under 35 USC 102(e) hereinabove. In rejecting claim 59 under 35 USC 103(a) the Examiner again relies on the flawed reasoning that “fraud” is necessarily a political risk category when in fact Basch does not disclose or even suggest a type of fraud that is associated with a PIP or political risk.

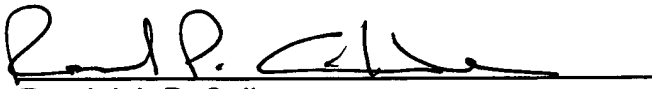
Accordingly, Basch fails to disclose render claim 59 obvious since Basch fails to disclose or suggest that which it is relied upon for disclosing and suggesting. Reconsideration and withdrawal of the rejection under 35 USC 103(a) is requested.

**CONCLUSION**

Applicants respectfully suggest that rejections of claims 47 - 60 are improper and request that the rejections be reversed. If any issues remain, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is kindly invited to contact the undersigned.

Respectfully submitted,

August 14, 2006  
Date

  
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Appendix A - Claims  
Appendix B - Evidence  
Appendix C - Related Proceedings

## **Appendix A - Claims**

The following is a complete copy of the claims involved in the appeal:

47. A computer-implemented method to facilitate management of risk related to political exposure associated with a financial transaction, comprising:

receiving digital financial transaction data into a computer system including data identifying a participant in the financial transaction;

determining that the participant is a politically identified person ("PIP") by referencing digital data in a memory of a computer system indicating that the participant has a status of at least one of: an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel;

calculating a first category political risk score based on the financial transaction data;

calculating a second category political risk score based on the financial transaction data;

calculating, based on the first and second category political risk scores, an overall transaction political risk quotient associated with the financial transaction; and

comparing the overall transaction political risk quotient with a risk quotient threshold to determine a suggested action associated with the financial transaction.

48. The computer-implemented method of claim 47, wherein the overall transaction political risk quotient is further calculated based on weights applied to said first and second category political risk scores.



49. The computer-implemented method of claim 47, wherein the suggested action is at least one of: (i) a recommendation to decline the financial transaction; (ii) a recommendation to gather additional information associated with the financial transaction; (iii) a recommendation to monitor the financial transaction; and (iv) notifying an authority.

50. The computer-implemented method of claim 47, wherein the financial transaction is at least one of: (i) a request to open a new account; and (ii) a transaction associated with an existing account.

51. The computer-implemented method of claim 47, wherein the financial transaction is associated with a financial institution, the method further comprising:

aggregating the overall transaction political risk quotient with a plurality of overall transaction political risk quotients associated with a plurality of financial transactions to identify an aggregate political risk quotient associated with the financial institution.

52. A computer-implemented method to facilitate management of risk related to political exposure associated with a financial transaction, comprising:

receiving financial transaction data associated with the transaction;

calculating a first numerical value representative of a political risk based on the financial transaction data;

calculating a second numerical value representative of a political risk based on the financial transaction data;

calculating, based on the first and second numerical values, an overall transaction political risk quotient associated with the financial transaction; and

generating, based on the overall transaction political risk quotient, a suggested action for the financial transaction.

53. The method of claim 52, wherein the first numerical value is an indication that a participant in the financial transaction is at least one of: (i) an elected official, (ii) a bureaucrat, (iii) a political appointee, (iv) a World Bank Official, and (v) a military personnel.

54. A computer-implemented method to facilitate management of risk related to political exposure associated with a financial transaction, comprising:

receiving digital financial transaction data into a computer system including data identifying a participant in the financial transaction;

determining that the participant is a politically identified person ("PIP") by referencing digital data in a memory of a computer system indicating that the participant has a status of at least one of: an elected official, a bureaucrat, a political appointee, a World Bank Official and a military personnel;

calculating a first numerical value representative of a political risk based on the financial transaction data;

calculating a second numerical value representative of a political risk based on the financial transaction data;

calculating, based on the first and second numerical values, an overall transaction political risk quotient associated with the financial transaction; and

comparing the overall transaction political risk quotient with a risk quotient threshold to determine a suggested action associated with the financial transaction.

55. The computer-implemented method of claim 47, wherein the overall transaction political risk quotient is further calculated based on weight to said first and second numerical values.

56. The computer-implemented method of claim 47, wherein the suggested action is at least one of: (i) a recommendation to decline the financial transaction; (ii) a recommendation to gather additional information associated with the financial transaction; (iii) a recommendation to monitor the financial transaction; and (iv) notifying an authority.

57. The computer-implemented method of claim 47, wherein the financial transaction is at least one of: (i) a request to open a new account; and (ii) a transaction associated with an existing account.

58. The computer-implemented method of claim 47, wherein the financial transaction is associated with a financial institution, the method further comprising:

aggregating the overall transaction political risk quotient with a plurality of overall transaction political risk quotients associated with a plurality of financial transactions to identify an aggregate political risk quotient associated with the financial institution.

59. The method of claim 54, wherein the second numerical value relates to a political risk category.

60. The method of claim 54, wherein the overall risk quotient comprises a scaled numeric or scaled alpha-numeric value.

## **Appendix B - Evidence**

This appendix includes a copy of (1) the Declaration Under 37 CFR 1.132 by A. MacDonald, received by the Office May 20, 2004 (the MacDonald declaration); and (2) the Declaration Under 37 CFR 1.132 by J. Starr received by the Office May 20, 2004 (the Starr declaration).



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: David Lawrence

Application Serial No.: 09/772,427

Filing Date: January 30, 2001

For: AUTOMATED POLITICAL  
RISK MANAGEMENT

) Group Art Unit: 3628

) Examiner: Richard C. Fufts

) DECLARATION UNDER RULE 132

) Attorney Docket No.: G08.081

RECEIVED  
MAY 24 2004  
GROUP 3600



**Commissioner for Patents**  
P.O. Box 1450  
Alexandria, VA 22313-1450

Dear Sir:

I, Alasdair MacDonald, make this declaration on personal knowledge, and state under penalty of perjury, as follows:

**I. Background**

1. I have been involved in the design, implementation, and testing of digital communications, software, and database systems for over 22 years, working both domestically and internationally. My experience covers the major areas of computing technology including networking, web application design, database, imaging, and client/server environments.

2. For the last six years I have worked for Compliance Data Center ("CDC") (a company acquired by Equifax) directing their worldwide application development and computer centers in the brokerage market for CDC. CDC/Equifax are the leading consumer and business financial health information suppliers. While at CDC, I designed and implemented a highly secure, online, massive library of media information on individuals and companies, dating back to 1962, which is used extensively by the securities industry.

3. In addition to my employment with CDC, I am currently working as a computer consultant advising Regulatory Data Corporation ("RDC"), a licensee of the above-identified application. In particular, I was retained by RDC in November 2003 to provide software development and consulting services to assist RDC in the development and deployment of an automated system to collect and aggregate political risk data and information. The system will be used in conjunction with features of the above-identified patent application to allow users (such as financial institutions) to identify transactions

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Declaration of Alasdair MacDonald  
In re: S/N 09/772,427

that involve political risk. As part of my consulting relationship with RDC, I have been asked to review the patent application and to provide an opinion regarding my understanding, as one skilled in the art, of the teaching of the application.

4. On and prior to the filing date of the '427 application on January 30, 2001, I was a person of at least ordinary skill in the art of computer programming and system development.

## **II. Scope of Review**

5. In forming my opinions set forth in this declaration, I have reviewed the following:

a) U.S. Patent Application Serial No. 09/772,427, entitled "Automated Political Risk Management System", filed on January 30, 2001 by David Lawrence (the "Application").

b) Office Action Mailed February 24, 2004 from Examiner Fults (the "Office Action").

6. I have also relied on my personal expertise and professional knowledge and experience.

## **III. Summary of Opinions**

7. The Application uses terms that are sufficiently clear and concise that one skilled in the art could make and use the claimed invention

8. Based on the Application, the nature of the invention and the level of predictability in the art, a person skilled in the art could make and use the claimed invention without undue experimentation.

## **IV. The terms are clear**

9. I have read the examiner's rejection and argument that the terms "quotient" and "first category" or "second category political risk scores" are used in an improper or unclear manner.

10. As a person of ordinary skill in the art at the time of the filing of the application, I find each of the terms to be clear and unambiguous. For example, the claims use the term "overall transaction political risk quotient" and indicate that the "overall transaction political risk quotient" is calculated based on "first and second category political risk scores". I believe the claim term is used clearly and concisely and that one skilled in the art would understand that the term refers to a value or score that is calculated based on several inputs (the first and second category political risk scores). Examples of the first and second category political risk scores are given throughout the

Application. As I understand it, the different category political risk scores are based on different pieces (or "categories") of data associated with a financial transaction (such as a country of the transaction, an occupation of the party to the transaction, etc.). It is clear that a risk score is generated for each of these pieces of data and that an overall score for the transaction is generated based on each of the individual scores.

**V. A person skilled in the art could make and use the claimed invention**

11. Based on my review of the Application, and my understanding of computer programming and system development techniques as of the filing date of the Application, I believe that the Application describes the claimed invention in such a way that a person of ordinary skill in the art of computer programming and system development could make and use the claimed invention without undue experimentation. More particularly, I believe that, as of the filing date, I could have made a version of the claimed invention without undue experimentation.

12. I believe there are a number of ways that a person of skill in the art could make the claimed invention. I will outline one possible approach that could be implemented quickly and without experimentation other than normal software debugging and quality assurance. In particular, I will outline a system which I could readily implement for a customer (e.g., such as a bank) that wants to have the ability to receive financial transaction information, identify a party to the transaction, generate an overall political risk score associated with the transaction, and use the overall political risk score to determine a course of action (e.g., such as to approve or decline the transaction). Even more particularly, I will outline how I would implement the system for a customer who wishes to generate an overall political risk score based on two categories associated with a party to the transaction: the party's country, and the party's position or occupation.

a. I would begin the development by defining the data elements, formats, and conventions to be used in the system. For example, if the financial transaction information will be received in an electronic format, I would identify that format and the data elements that would be contained in the message. For simplicity, I'll assume that a financial transaction message will be received in ASCII format, and will be comma delimited with the following elements: *[Name], [Country], [Amount], ...*

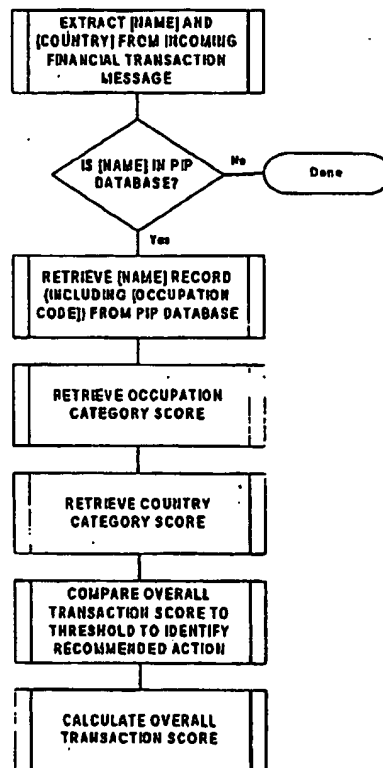
b. Next, I would develop a database schema including "variable" data elements (the data elements received in each incoming financial transaction message which will likely change from transaction to transaction) as well as "fixed" data elements used to implement the bank's risk assessment of each transaction. For example, a simple schema to implement the claimed invention could include a data structure to be populated with data associated with each individual financial transaction (including separate fields for each element such as name, country, amount, etc.), data structure(s) populated with data associated with the first category (the country category) and the second category (the position or occupation), and data structure(s) populated with data associated with the bank's risk thresholds (e.g., information identifying transaction scores that can be approved or declined). Further, as discussed in the application, a data structure including



names of individuals who have been identified as "politically identified persons" will also be provided. Each of these data structures may be readily implemented using techniques known to those skilled in the art. Because I am familiar with SQL database systems, I might choose a SQL database system as my core platform (such as Oracle®, MYSQL, DB2, MSSQL, or others).

c. I would then populate the "fixed" data elements with data. As discussed in the application, this data may be received from a variety of sources. For example, the bank could give me information regarding the relative risk weightings to be associated with each political risk category (for example, the bank could instruct me that certain countries are very high risk, while other countries are extremely low risk). Accordingly, I would populate the "fixed" data structure with risk scores or weightings for each item of data in the category data structures.

d. I would then code a decision routine based on the flow diagram shown further below (using common software coding techniques).



e. Once the routines were coded, and the fixed data elements populated with data, the system could be used in an operational environment to calculate overall political transaction scores for financial transactions on behalf of the bank. As world or political conditions change, the bank could change the system by simply modifying the "fixed"

data elements. No experimentation would be required to implement the system, other than ordinary and typical software debugging and quality assurance testing.

f I believe the operational system could be implemented in a relatively short period of time by a person of ordinary skill in the art of computer programming.

**VI. Conclusion**

13. In sum, as a person of at least ordinary skill in the art of computer programming and system design at the time of the filing of the Application, I find the Application to describe the claimed invention in such clear and concise terms that I could have made or used the claimed invention without undue experimentation. I believe others of skill in the art could have done the same.

I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the patent application.

Dated: MAY 7 2004



\_\_\_\_\_  
Alasdair MacDonald



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: David Lawrence

Application Serial No.: 09/772,427

Filing Date: January 30, 2001

For: AUTOMATED POLITICAL  
RISK MANAGEMENT

) Group Art Unit: 3628

) Examiner: Richard C. Fults

) DECLARATION UNDER RULE 132

) Attorney Docket No.: G08.081

Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

RECEIVED  
MAY 24 2004  
GROUP 3600

Dear Sir:

I, Jeffrey Starr, make this declaration of my own hand and on personal knowledge, and state under penalty of perjury, as follows:

**Background**

1. I am an official of the United States Department of Defense on sabbatical to Goldman, Sachs & Co. ("Goldman Sachs") under an Office of Personnel Management program (Section 3396 of Chapter 33, Part III, Title 5, United States Code) and pursuant to the terms of a December 2003 Memorandum of Agreement between the United States Department of Defense and Goldman, Sachs & Co. While at Goldman Sachs, I have been assigned to the Business Intelligence Group for most of my work responsibilities, as well as to the Sovereign Risk Management and Advisory Group for other responsibilities. Among my assignments in the Business Intelligence Group is the responsibility of assisting and advising the Regulatory Data Corporation ("RDC"), a licensee of the above identified application. It is in this context that I have been asked to provide my view as someone skilled in the art of analysis pertaining to security risks. While I am generally computer savvy, I am not a computer programmer.

2. I am a career civil servant in the Senior Executive Service of the United States Government. I joined the Federal Government in 1986 and have served in a number of capacities in the United States Department of State and the Department of Defense. I am currently assigned to the Office of Special Operations and Low Intensity Conflict in the Department of Defense, where I have been since November 2001. Prior positions in the

Government have included Deputy Assistant Secretary of Defense for Russia, Ukraine and Eurasia (1998-2001), Acting Principal Deputy Assistant Secretary of Defense for International Security Policy (1996-1998), and Principal Director for Threat Reduction Policy (1994-1996). In these capacities and other prior assignments, I have developed expertise in a broad range of national security matters ranging from international negotiations, to weapons of mass destruction, to regional security, counterproliferation, counterinsurgency and counterterrorism activities, and other areas related to foreign organized crime and intelligence matters. Through such assignments, I have developed significant experience in different approaches to analyzing, anticipating and countering a broad range of security threats. Academically, I have a B.S. degree in mathematics from the University of Illinois and a Ph.D. in international relations from the Massachusetts Institute of Technology, and am an adjunct professor at Georgetown University in Washington D.C. I believe I am (and was as of the filing date of the Application) skilled in the fields of mathematics and security and risk analysis. I believe I am able to recognize and provide an opinion of the abilities of a person of ordinary skill in the fields of mathematics and security and risk analysis as of the time of the filing of the Application.

#### **Scope of Review**

3. In forming my opinions set forth in this declaration, I have reviewed the following:

(a) U.S. Patent Application Serial No. 09/772,427, entitled "Automated Political risk Management System," filed on 30 January 2001 by David Lawrence (the "Application"), and

(b) Office Action mailed 24 February 2004 from Examiner Fults (the "Office Action")

4. I have also relied on my personal expertise and professional knowledge and experience.

#### **Opinions**

5. I find that the Application sets forth a sufficiently clear and concise description of a system that has utility for evaluating risks in a standardized manner, in this case risks associated with politically identified people proposing financial transactions which could entail financial, legal, regulatory and/or reputational risks for financial institutions or other agencies. At the core of this system is a methodology for evaluating such risks in a standardized manner, necessary to facilitate communication within any industry about the scale of risks faced in such situations as mentioned above. The compelling need to be able to evaluate risks in such a manner seems to me to be driven both by market factors and changes in the global financial and political-security situations. Whereas the financial industry market formerly focused on credit risk, as well as regulatory risk, in the conduct of its transactions, threats of money laundering and association with individuals who may have achieved wealth through illegal or illicit means, such as narcotics trafficking or corruption in foreign states, have increased over time. Compounding this

trend are changes in the international situation marked by market globalization, dissolution and transformation of political systems, terrorism, etc. Therefore, the methodology described and claimed in the Application is one which is useful and which can provide greater objectivity and standardization in evaluating such risks.

6. It is my view that someone skilled in the art of risk analysis at the time of filing the Application would be able to utilize the methodology provided in the Application and that the Application sets forth a methodology that is understandable to a person of ordinary skill in the art of assessing the nature and relative magnitude of the risks, calculated in a manner that permits and facilitates communication of such risk calculations to others engaged in similar activity.

7. I understand that the purpose of the Application is to describe an automated political risk management system made up of a number of components: accumulated risk relevant information stored in a database, the ability to retrieve information in an automated manner, a rating system relating risk relevant criteria to algorithms for the purpose of deriving a risk quotient or other rating value, whose ultimate purpose is to give the user a standardized measure of the risk associated with engaging in activity with particular politically identified persons.

8. I understand the nature of the information that would constitute the database as being related to individuals or entities (politically identified persons) with whom doing business (financial or otherwise) could entail risks for a user of the Application. Such a database could be populated with any risk relevant publicly available information (or other risk relevant information depending on the user's needs). A rating system would identify criteria for ascertaining what bits of information are risk-relevant for the intended purpose of the risk management system. A system for financial institutions, for example, would identify criteria (risk factors), such as prior involvement with illicit activity, nationality (if individuals from certain nations are judged more likely to be higher risk for business purposes, etc.), and other factors. These criteria then would be weighted (using a numeric coefficient between 0 and 1) depending on expert-level assessments of their overall contribution to assessing risk relevance. For example, a criterion related to prior involvement in illicit financial activity could be more heavily weighed than nationality as being an indicator of future risk. From scoring of criteria and weighting them, an algorithm would be used to generate a "risk quotient" which I understand to be a numeric value that measures the risk normalized to a no-risk value. In this sense, the absolute numeric value assigned to a risk factor is irrelevant, since all risk weightings are normalized to a no-risk value. For example, a financial institution might conclude in the current world situation that dealing with a Canadian investor is risk free, at least insofar as nationality is concerned, whereas dealing with a Middle Eastern investor carries greater risk. In such a case, the algorithm might assign a value of zero or one to a Canadian nationality, while it scores a Middle Eastern nationality at 10 (it could be any number greater than the 0 or 1). If all other nationalities are scored with values reflecting expert opinion about the risk of dealing with individuals of said nationality, then a relative score is established essentially ranking the nationality criterion in accordance with expert views of the associated risks.

9. An exemplary algorithm could be:

$$aX + bY + \dots + cZ = R$$

where a, b, ..., c are the relative weight factors (ranging from 0 to 1),

and X, Y, ..., Z are numerical scores assigned to variables associated with criteria (e.g., if a criterion is nationality, a variable could be Canada or Russia),

and R is the risk quotient.

10. The sophistication of the automated risk management system described by the Application need not imply a sophisticated algorithm, as seen by the linear equation in paragraph 10. Indeed, this is the method of calculation described in paragraph [0049] of the Application: "A risk quotient can be calculated by multiplying a weighted numerical value of the specific information times the category weighting." From my perspective, the uniqueness of the system pertains more to the development of the criteria and weighting schemes and by the database that supports calculation of the risk quotient.

11. I find the terms used in the Application to be clear and understandable, and therefore understand how the methodology presented in the Application addresses the objectives of the Application as put forth in paragraph [0007] and as recited in the claims.

12. The examiner has voiced concern about the use of the word "quotient" in describing the calculated result of the Application methodology. It is correct that in normal mathematical meaning, quotient involves the division of two values. However, the meaning derived from such a mathematical operation relates to the normalization of risk valuations to non-risk valuations (hence the notion of a comparison, relative score or, equivalently, a ratio, keeping in mind also that division is a form of multiplication). Moreover, I understand the use of the word quotient to refer to a calculated result that does not necessarily carry any implication of a specific mathematical operation, much like the contemporary use of the term "intelligence quotient" does not directly imply a division operation.

13. The examiner has voiced concern about the absence of a definition for a specific threshold to distinguish no risk and risk outcomes, the absence of a list of evaluation factors, and the absence of a specific equation. I believe that the Application intends to present a methodology for specifying a risk management system, whose specific applications may change depending on the nature of the user's interests and business. A set of relevant risk factors to an investment banker or hedge fund manager might not be the same as those for an insurance company or a government, for example. In such cases, it would be advisable to adjust the specific criteria, risk scores and weightings to the needs of the user. Moreover, even for a single user, weighting factors or risk factor scores might change over time. For example, 20 years ago, a Saudi investor might have posed a different, indeed lower, risk than a Saudi investor could today. Certain charities

would fall into a similar general characterization. So, it seems clear there can be no absolute numeric valuations, and there need be no absolute thresholds, for the methodology to provide value to users. Finally, although no equations are presented in the Application in traditional form, the equation illustrated in paragraph 10 above is described in prose in the Application. But one unique contribution of the Application is the specification of an entire interrelated system for managing risk in an automated manner, not in asserting the accuracy of one equation form over another.

14. The examiner has voiced concern that users would have to conduct an undue amount of experimentation to use the invention. I believe that it is not so much experimentation that would be required of users, but that users would have to adapt the invention to their specific uses by specifying, modifying, or applying criteria relevant to their own industry or interests in the calculation of the risk quotient. This is a process of application, not experimentation. Generally, given the stated objectives of the invention, that is to develop an automated risk management system focused on politically identified persons, the criteria discussed in the Application would be similar across a wide band of users, although additional criteria would have to be specified, and some users may have unique criteria against which they would wish to search the database. It is correct that such specification of criteria includes a subjective interpretation, but that pertains more to the nature of assessing risk based on modeling behavior rather than a flaw in the concept of the invention. Additionally, the "subjective" assessment of what criteria are relevant for a given user would normally be made by experts and other experienced persons in that industry (e.g., financial industry), reflecting professional experience. It is the application of the algorithm to these criteria which provides an objective assessment score (i.e., the risk quotient), which provides persons in an industry responsible for assessing risk with an objective and standardized way to evaluate and communicate with others the magnitude of risk to which they would be exposed in any particular transaction.


## Conclusion

15. As someone skilled in the art of identifying and evaluating risk, as well as in the art of mathematics, I find the Application to be sufficiently clear with regard to its terms and process flow to understand its purpose, the logic of the model, the methodology for how an automated system would be constructed and used to generate a risk quotient, and the meaning of the risk quotient itself in practical use to identify potential risk involved in transactions, for example financial transactions. I believe others skilled in these arts would arrive at the same conclusions. In particular, as of the filing date of the Application, I believe a person of ordinary skill in the art of identifying and evaluating risk could use the claimed invention without undue experimentation based on the disclosure.

I further declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18

of the United States Code, and that such willful false statements may jeopardize the validity of the patent application.

12 May 2004  
Date

  
Jeffrey Starr





## **APPENDIX C - RELATED PROCEEDINGS**

No other appeals or interferences are known to Appellant or Appellant's legal representative which will directly affect, be directly affected by, or have a bearing on the Board's decision in the pending appeal.

Therefore, there are no copies of decisions rendered by a court or the Board in any related proceeding to include herewith (*i.e.*, this appendix is empty).